

Bridging the Innovation Gap

Defense

Commercial Aviation

Homeland Security

Cyber Security

Medical Instrumentation

Sustainment & Support



October 20, 2015

Noah's Heritage....



*It wasn't raining when Noah
built the ark...*

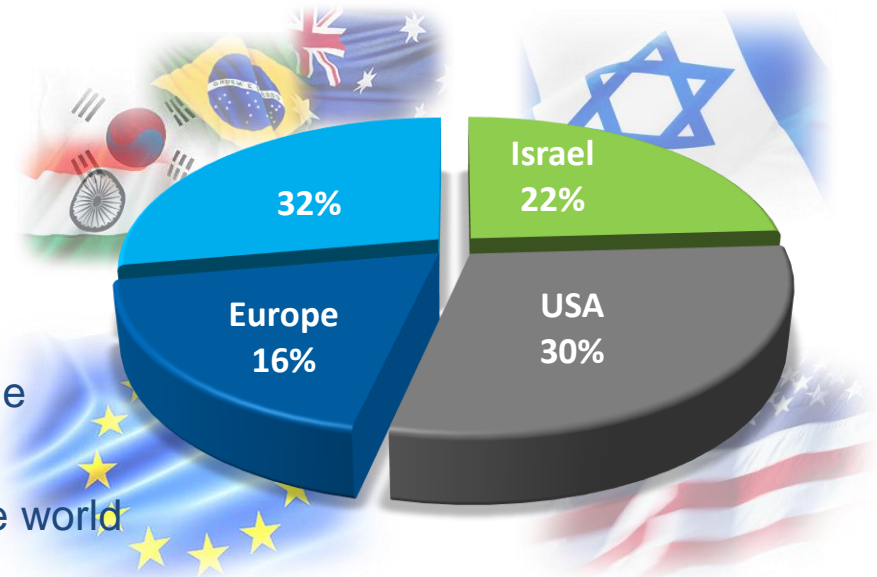
Our vision:

World leading source of **innovative, technology-based** solutions for diverse defense and commercial applications



Multi-Domestic Defense Company
Publicly Traded on NASDAQ (ESLT) and Tel Aviv Stock Exchange

- Founded in 1965
- Annual revenues: ~\$3B
 - ~\$1B in the US
- 12,000 employees (~1800 in the US)
 - 5,000+ engineers and scientists worldwide
- Ranking: 29th largest defense company in the world
 - 9+% annual investment in IR&D



Revenues by Key Geographies

Key Business Areas



**Defense & Commercial
Airborne Systems & Simulation**



**EW & Countermeasures
Systems**



CYBER Solutions



**Combat Vehicles &
Artillery Systems**



**C⁴I & DAP
Tactical Communication**



**Homeland Security
Solutions**



Naval Systems



**Unmanned Vehicle
Systems**



**ISR & Electro-optic
Systems**

>> Services & Support <<



Elbit inside... making U.S. Systems better



Technical Superiority
The Innovation Challenge

“To meet future needs, the Department of Defense must increase access to **commercial state-of-the-art technology.**” Secretary of Defense William J. Perry (June 1994)



“Defense innovation is moving too slowly—in cycles that can last up to **18 years**, whereas commercial innovation can be measured in cycles of **18 months or less**” Senate Armed Services Committee (May 2015)



“Our technological superiority is slipping. We see it every day”

Deputy Secretary of Defense Bob Work (April 2015)



“Now much **more technology is commercial**, and the technology base is global.” Secretary of Defense Ashton Carter (April 2015)



Achieving and maintaining technical superiority is critical to our national security

Corning Glass



Teflon



GPS



Now migrating from consumer to defense

Cellular



Networking



Cyber Security



Video Compression



The challenge is breaking down barriers...

A light gray world map is centered in the background of the slide, showing the outlines of continents and major landmasses.

Innovation in Israel
The “Silicon Wadi”

The birth of the “Start-Up” nation

- Surviving in a tough neighborhood
- Unstructured communications
 - Users, Industry, start-ups – many times they are the same people
- Out of the box thinking valued and encouraged
 - “Large” vs. “Small” head mentality

99%

Of all Israelis
Household are

Connected to the Internet

99%

Of all Israelis
Between the ages of 18-34 Have
a Facebook account



For every 100 Persons there
are 122 computers
Highest in the world

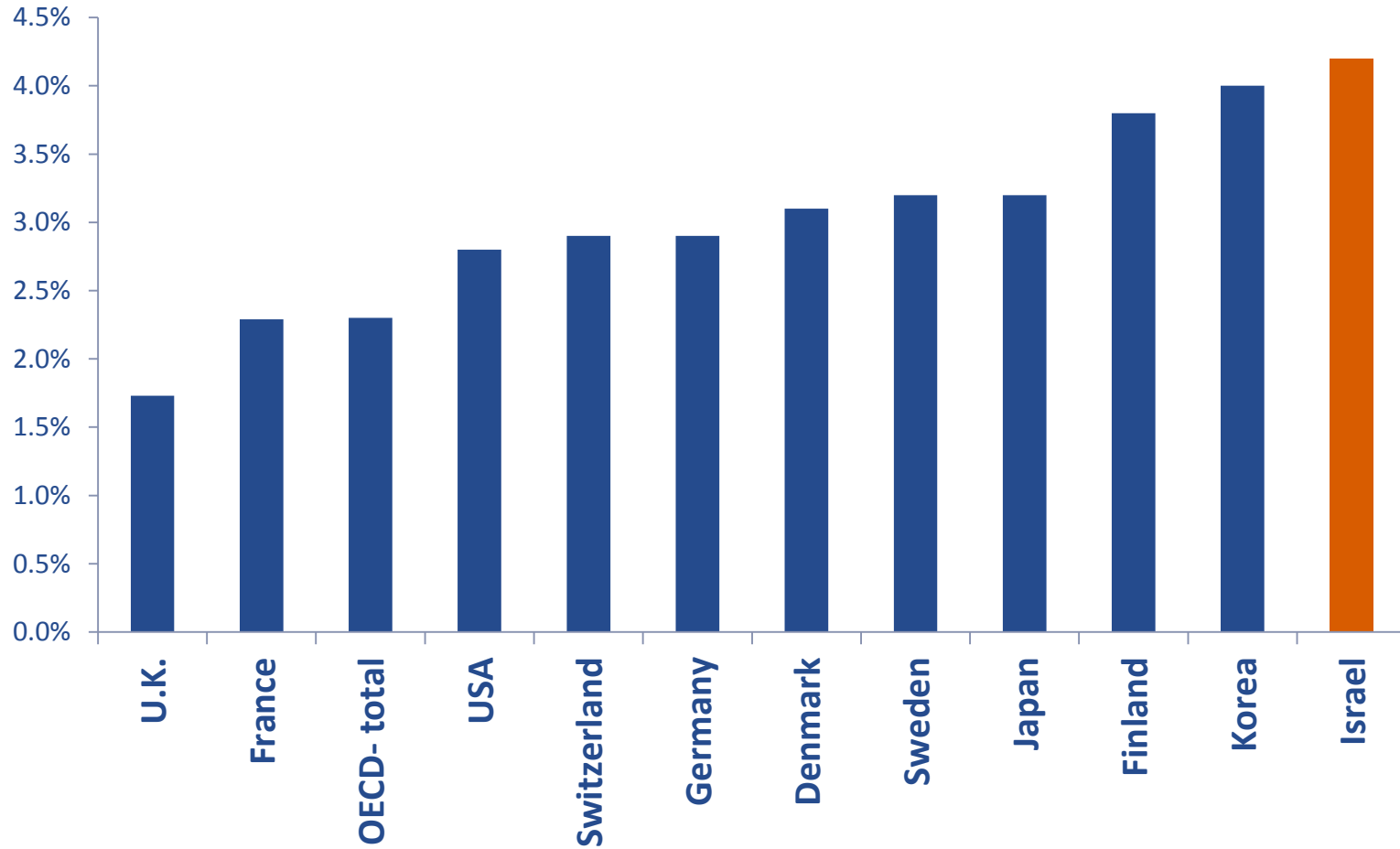


1 in the world

In the amount of time spent on
Facebook & YouTube

Yielding robust intellectual bandwidth

R&D Expenditure As a Percentage of GDP 2014



“Israel has the No. 2 startup ecosystem in the world, second only to Silicon Valley”



- More startups per capita than anywhere else
- 70 companies publicly traded on NASDAQ (more than Europe, Japan, Korea combined)

Country Rank→	1st	2nd
Business Expenditure on R&D (%)	Israel	Korea
Total Expenditure on R&D (%)	Korea	Israel
Entrepreneurship	Israel	Malaysia
Flexibility and Adaptability	Ireland	Israel
Innovative Capacity	Israel	USA
Scientific Research	Switzerland	Israel

Approx. **250** Innovative Cybersecurity companies



- ***Ranked 1st for cybersecurity*** (IMD 2013)
- ***Annual exports*** of more than ***\$3B***
- ***MNCs*** such as IBM, Cisco, GE have ***established R&D cyber centers in Israel***
- ***1 in 6 computers worldwide is protected*** by anti-virus software ***developed in Israel***



Approx. **150** Innovative Big Data companies



- ***Highest concentration*** of data engineers and analysts ***in the world***
- ***High tech exports account for \$25B*** (a quarter of the country's total exports)
- ***Four \$250+M Big Data acquisitions just in the past 6 months***



More than 300 MNCs established R&D Centers in Israel



United States – Israeli Partnership in Innovation

- Pentium and Centrino (Intel)
- Call Center Logging (Nice/Verint)
- Voice Mail (Comverse)
- PC Board Inspection (Orbotech)
- Two-bit per cell Flash Memory (Saifun)
- Disk on Key (M-systems)
- Firewall (Checkpoint)
- Virtual Colonoscopy (Given Imaging)
- First Cellular Phone (Motorola)
- Text Message (Comverse)
- Instant Message (ICQ, Viber, Tango)
- Waze (Google)
- Mobileye (NYSE)



Asked how come he chose Israel as his first investment outside America, Buffett's response was: "Some Americans came looking for oil, so they didn't stop in Israel.

We came looking for brains, so we did stop in Israel."

Buffett Takes a Cut of Iscar
The Israel-based manufacturer, with estimated revenues of \$1.4 billion, enters the limelight thanks to an acquisition by Berkshire Hathaway



The logo for Elbit Systems of America features the company name in a bold, blue, italicized sans-serif font. The text is positioned on a yellow triangular background that points downwards. Below the main text, a blue horizontal line with a slight curve separates it from the words "of America" in a smaller, blue, italicized sans-serif font.

Elbit Systems
of America

A light gray world map is centered in the background of the slide, showing the outlines of all continents. The map is semi-transparent, allowing the text to be clearly visible over it.

Bridging the Innovation Gap



- The piers are in place for supporting a bridge that spans the innovation gap

- Sales commission versus mission/customer orientation
- Structured versus unstructured data
- Open source software versus protected and controlled
- Quick wins versus long-term perspective
- Time to market and obsolescence versus life cycle support

But much in common...

- Innovation not just for the sake of innovation but to achieve specific results

Pilot Physiological Monitoring Saves Lives- Canary™



LifeBEAM
we sense Life



Elbit Systems

- A new startup company
- Two IAF pilots
- Developed a dual technology
- Monitors physiological data for sports and well being

- ~30 years of HMDs experience
- Elbit's desire to save life and reduce losses of resources
- Elbit utilized LifeBEAM sensor to monitor physiological signs and avoid/recover from G-LOC and hypoxia fatalities

1+1 > 2

Smart Helmets Are About To Get Smarter



Keep the Intellectual Bandwidth (IB) Open for New Innovation



“Putting our experience and knowledge to work in your innovation”

Incubit Technology Venture was born as part of Elbit's Innovation strategy

- Fully owned and backed by Elbit Systems Ltd
- Focus: early stage startups (bright ideas, cheaper and faster)
- Risk sharing in the investment – 85% state funded
 - Elbit mitigating the risk through due diligence process
- Emphasis on commercial startups with potential “dual use”
 - Partners encourages to exploit commercial potential



Technology risks are our business

The funnel so far...

- Explored ~**700 companies**
- Performed ~**350 Due Diligence** processes
- Made **five** investments – accelerating momentum



Nano Technology



Cyber Security



Medical Devices



A new rocket engine tech.



Medical Devices

- Some “Match Making” with Elbit’s businesses in process...



Keeping the Innovation Bandwidth wide...

INNO-SHARE

"Crowd Sourcing"

We must be thinking "out of the Triangle..."



Inside Elbit... Employee Driven...

- Silicon Wadi did not replace the defense industry
- Works with government and defense industry, providing and expanding intellectual bandwidth
- Willingness to cooperate (IMOD, government, academia, finance, defense industry, Silicon Wadi)
- Willingness to invest in R&D
- Israel's geography enables proximity and familiarity
- People developing technology and products and the users of the technology and products are often the same people; they understand the mission and challenges intimately

- Breaking barriers and match making
 - Establish mechanisms for dialog, collaboration and exchange
- Focus on increasing the intellectual bandwidth
 - Integrate commercial innovation in defense specific solutions rather than try to replace
- Accept that innovation has a cost
 - Leveraging silicon valley is a component of the solution and not a panacea
- The threat to national security is real
 - Its our obligation to exploit every available resource to build our technological advantage



Silicon Valley may not be the Promised Land, but it holds promise



Thank you

